

VZCZCXYZ0002
RR RUEHWEB

DE RUEHAK #0670 0821453
ZNR UUUUU ZZH
R 231453Z MAR 07
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC 1443
INFO RUEHIT/AMCONSUL ISTANBUL 2389
RUCPDOG/USDOC WASHDC

UNCLAS ANKARA 000670

SIPDIS

SIPDIS
SENSITIVE

USDOC FOR CHERIE RUSNAK
PASS USTR FOR LISA ERRION

E.O. 12958: N/A
TAGS: [EINV](#) [BEXP](#) [TU](#)
SUBJECT: TURKEY: SURVEY SPOTS U.S. BUSINESS CONCERNS

REF: ANKARA 160

SENSITIVE BUT UNCLASSIFIED.

¶1. (SBU) Summary. A membership survey by the American Business Forum in Turkey (ABFT) paints a mixed picture of how American companies view the challenges and opportunities of doing business in Turkey. They see a lucrative market with vast potential for growth, a stable macroeconomic environment, and an available workforce. But an inefficient legal system, high taxation, inadequate protection of intellectual property rights, and a lack of transparency in government decision-making are main negatives. Thus, while 88% of surveyed American companies say their decision to invest was a good one and that they would recommend to other companies that they invest in Turkey, they also believe there is a lot the Turkish government can do to improve the investment and business climate. End Summary.

¶2. (SBU) This is the first comprehensive, quantitative study of U.S. business attitudes toward doing business in Turkey. It will be very useful to us, as well as to the ABFT, in more focused advocacy on U.S. business issues. The results will be officially released during the March 25-28 meetings of the American Turkish Council in Washington and will be publicized as a cover story in the Turkish edition of "Business Week" magazine.

¶3. (SBU) The survey, conducted via on-line interviews with the local offices of 51 American companies, looks at the following parameters: 1) the general business environment, 2) the macroeconomic framework, 3) ease of interaction with government, 4) infrastructure, 5) taxation, 6) the legal system, 7) workforce, 8) education, and 9) investment trends and attitudes.

¶4. (SBU) The results track those of other attempts to measure the investment climate, such as the Heritage Foundation/Wall Street Journal "Index of Economic Freedom" (ref), which find that Turkey has made substantial improvements in the business climate but still falls short compared to other investment destinations. U.S. companies see a large market with "considerable potential" and overall macro stability (although they believe the exchange rate is overvalued). Offsetting this, however, is a belief that the legal system is inefficient and biased and that red tape and government decision-making -- including government procurement -- remains opaque despite reforms. (One respondent states, for example, "Current procurement procedures favor national companies.") In addition, respondents complain about high tax rates on income and on inputs, especially high energy costs. They are relatively satisfied with the quality of the workforce and physical infrastructure, with the exception of inadequate port services.

¶5. (SBU) Notably, the results cite corruption, but not as the biggest problem U.S. businesses face. Of total respondents, 52% agreed with the statement, "Corruption does not impact my business,"

although 70% agree that "Corruption is an issue within the legal system." At the same time, 85% agree that "the legal system is inefficient," 77% that "intellectual property rights are not well enough protected," and 67% that "there isn't transparency in how decisions are made in government." Also interestingly, businesses did not highlight the benefits of EU accession, with only 57% agreeing that "EU harmonization reforms are not moving fast enough" (perhaps because the cost burden of such reforms falls on established business).

¶6. (SBU) Comment: In addition to conducting and publicizing this survey, ABFT is working on several other initiatives to address business climate issues. We are working with them, for example, to stage a conference that will highlight the economic benefits of creating an "innovative society" that promotes entrepreneurial risk-taking and protects intellectual property and other property rights through an effective legal system. We are helping recruit U.S. speakers to describe the U.S. model for innovation and provide ideas that could be adopted here.

¶7. (SBU) The full text of the survey is available on our "Turkish Economy" Intranet site:

[http://www.intelink.gov/communities/state/tur kecon](http://www.intelink.gov/communities/state/tur_kecon)

MCELDOWNEY